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Routing Slip

76-7998/2

TO		ACTION	INFO	DATE	INITIAL
1	DCI				
2	DDCI				
3	D/DCI/IC				
4	S/MC				
5	DDS&T				
6	DDI				
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9	D/DCI/NIO				
10	GC				
11	LC				
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14	D/Pers				
15	D/S				
16	DTR				
17	Asst/DCI	X			
18	AO/DCI				
19	C/IPS				
20	NIO/SSEA	X			
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		SUSPENSE			
		Date			

Remarks:

Ben Evans discussed the attached proposed reply with George Carver, who agreed in principle. Ben asked that I coordinate it with you (a telephone response to me is sufficient).

D/Executive Secretary
1 Jun 76

Date

3437 (1-76)



CENTRAL INTELLIGENCE AGENCY
WASHINGTON, D.C. 20505

DIRECTOR

[Redacted]

[Redacted]

Thank you for your thoughtful letter. It is good to hear that you still have a keen interest in Cambodia. I hope you will understand that I have a pretty full schedule and do not profess to be an expert in the area. Consequently, I have asked Angus Thuermer to make arrangements for you to meet [Redacted] of my staff.

Sincerely,

George Bush
Director

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STATINTL

UNCLASSIFIED		CONFIDENTIAL		SECRET	
OFFICIAL ROUTING SLIP					
TO	NAME AND ADDRESS		DATE		INITIALS
1	Mr. Thuermer				
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ACTION		DIRECT REPLY		PREPARE REPLY	
APPROVAL		DISPATCH		RECOMMENDATION	
COMMENT		FILE		RETURN	
CONCURRENCE		INFORMATION		SIGNATURE	
Remarks: <p>Per your request - sorry it wasn't attached to proposed reply.</p> <div style="border: 1px solid black; width: 150px; height: 30px; margin: 10px auto;"></div> <p style="text-align: right;">STATINTL</p>					
FOLD HERE TO RETURN TO SENDER					
FROM: NAME, ADDRESS AND PHONE NO.					DATE
D/ES					6/2/76
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FORM NO.
1-67

237

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STATINTL

SENDER WILL CHECK CLASSIFICATION TOP AND BOTTOM			
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OFFICIAL ROUTING SLIP			
TO	NAME AND ADDRESS	DATE	INITIALS
1	NIO/SSEA		
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ACTION		DIRECT REPLY	PREPARE REPLY
APPROVAL		DISPATCH	RECOMMENDATION
COMMENT		FILE	RETURN
CONCURRENCE		INFORMATION	SIGNATURE
Remarks: <p>This letter from [redacted] should have been attached to the proposed reply forwarded to you yesterday.</p> <p style="text-align: center;">STATINTL</p>			
FOLD HERE TO RETURN TO SENDER			
FROM: NAME, ADDRESS AND PHONE NO.			DATE
D/ES, [redacted]			6/2/76
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CENTRAL INTELLIGENCE AGENCY Executive Registry

OFFICE OF THE DIRECTOR

76-8135

Ben: If possible to determine
I would like to know why Houston gave this
interview????

GB ¢ 6-5

Mr. Bush:

Last Saturday Tony Lapham had lunch with Larry Houston, and the latter simply mentioned that he was going to be interviewed on this matter and would say as little as possible. The ranks of OGC are puzzled by Houston's remarks, and we will have a problem with SEC. Lapham will be reporting to you on this Monday.

Ben Evans
5 June 1976

Insurance Venture Of CIA Produced Awkward Situations

New Light Shed on Problems,
Including Rebuff to Bid for
Acquisition, SEC Inquiry

By DAVID IGNATIUS

Staff Reporter of THE WALL STREET JOURNAL

The Central Intelligence Agency got into the insurance business in 1962. Since then, the insurance business has got the CIA into some awkward predicaments.

The agency's original idea in setting up a complex of insurance companies was to provide a discreet means of paying retirement, disability and death benefits for double agents and other top-secret operatives who couldn't receive regular CIA benefits in the form of U.S. Treasury checks because of possible exposure.

Lawrence R. Houston, who helped create the insurance operation and who directed it until he retired as the agency's general counsel in 1973, said the CIA on several occasions even had to rebuff investors interested in acquiring what appeared to be a healthy insurance operation. Another time, "company" officials had to fend off a Securities and Exchange Commission insider-trading inquiry that touched peripherally on one concern's purchases of a stock. Further complicating matters, these headaches had to be handled publicly by CIA employees who were merely posing as executives and hadn't any independent authority even to sign checks.

These glimpses inside the CIA's insurance complex, which eventually grew to several companies, emerged from an interview with Mr. Houston. While the existence of the \$30 million CIA insurance complex was disclosed in an April report by the Senate Intelligence Committee, Mr. Houston shed new light on the problems of managing the agency's conglomerate.

Mr. Houston declined, however, to name specific companies in the CIA insurance complex, which he believes is serving a "perfectly legitimate and absolutely necessary purpose." He expressed concern that publication of such specific information could result in exposure and "serious harm" for individuals who have received payments through the project.

The CIA decided to get into the insurance business after finding itself scurrying around in 1961 to hastily arrange payment to the families of four American pilots shot down over Cuba in the Bay of Pigs incident. The insurance complex was established the next year with help from friendly industry executives and lawyers, who apprised the CIA of two existing "shell" companies and offered advice on how to "flesh them out," Mr. Houston recalled.

While the CIA tries to write contracts with its covert operatives that specify regular employee contributions for pensions and insurance benefits, many of the payments by the insurance complex have taken a more irregular form, Mr. Houston said. For example, when an "uninsured" operative retired or died, it was often necessary to backdate elaborate phony benefit policies and fund them with lump sums from the CIA.

But it's clear that the role of the insurance complex hasn't been limited to providing insurance. The Senate Intelligence report, while approving the general intent of the project, noted cryptically: "The complex also provided a limited amount of support to clandestine operations—specifically for the acquisition of operational real estate and as a conduit for the funding of selected covert activities."

Mr. Houston conceded that the insurance company has been used to channel money for covert operations, as a "sterilized funding" device to make the payments difficult to trace. (Most of the covert funding apparently was carried on the books as investment.) But he denied that this was the real reason the complex was created. "If the complex later got into other agency purposes," he said, "it was because it proved itself a useful instrument." He wouldn't elaborate.

Recruited About 50 Businessmen

To help build a cover for the insurance complex of foreign underwriting concerns, based in such places as Bermuda and the Cayman Islands, and domestic investment concerns, the CIA once recruited about 50 businessmen and retired government and military employees as directors for the companies, Mr. Houston said. They were paid \$50 to \$100 a board meeting, with a maximum of four meetings a year. Aware that they were working for the agency, the directors would sometimes be asked to advise on investment portfolio decisions. But Mr. Houston said he supervised every detail of the operation, including management of the investment portfolios, from CIA headquarters in Langley, Va.

To make the insurance complex believable, it had to show healthy profits. The complex, according to the Senate report, has retained accumulated net earnings of about \$9 million since 1962, with its profit from stock sales topping \$500,000. In managing the port-

folio, Mr. Houston apparently was able to finesse the end of the go-go market. By the early 1970s, he said, "we were mainly out of stocks and into time deposits and Eurobonds."

Mr. Houston said he gathered investment tips from "some witting and some unwitting" consultants and friends and agency contacts. All stock purchases were made through regular brokerage firms and, to avoid potential conflicts of interest, he didn't invest in any companies with which the CIA had contractual relationships.

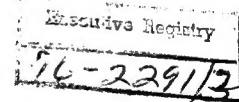
But profits on the stock dealings and other transactions haven't been used as a slush fund to supplement money appropriated for CIA activities by Congress, the lawyer maintained. Money beyond that needed to support the underwriting costs is returned to the U.S. Treasury through various arcane procedures, he said.

To preserve the cover for the insurance complex, the CIA sought to operate the companies as normally as possible. This meant, among other things, "laying off" some of its policies to regular commercial insurance concerns in so-called reinsurance transactions. Mr. Houston, however, would quietly notify the chief executives of these companies that they were actually buying spook insurance. The CIA companies also reinsured policies from the commercial concerns, again to maintain appearance of normality.

Sometimes, however, the profit-making, business-as-usual cover proved to be an embarrassingly successful decoy. On several occasions, investors approached CIA employees who nominally headed companies in the insurance complex and suggested that the units looked like good acquisition possibilities. "We simply never let it come to the point of negotiation," Mr. Houston observed.

(EXCLUDED)

Pub Affs



June 4, 1976

[Redacted]

What a very thoughtful note. I really did enjoy being on your campus. Barbara and I were most impressed with what we saw there.

It was a pleasure meeting you. Thanks again for your kind words.

Yours very truly,

George Bush

[Redacted]

Randolph-Macon College
Ashland, Virginia 23005

DCI/GB/dlg

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Executive Secretary
76-2291/2



RANDOLPH-MACON COLLEGE
ASHLAND, VIRGINIA 23005

June 1, 1976

Mr. George Bush, Director
Central Intelligence Agency
Washington, D. C. 20505

Dear Mr. Bush:

It was a very special pleasure to have you and Mrs. Bush on our campus Sunday, and we all appreciate your taking the time to come to our College and for preparing such a thoughtful and provocative address. We hope you and your wife had as nice a day as you made for us, and we will continue to follow your career with deep interest. It is indeed helpful to my own personal commitment to our government to hear men of brilliance and charisma such as I observe in you and my good friend [redacted]. I find myself projecting you into all sorts of places in Washington. Anyway, you have been very gracious to us here at Randolph-Macon, and we are very much in your debt.

I hope you and your lovely wife and family have a very pleasant summer.

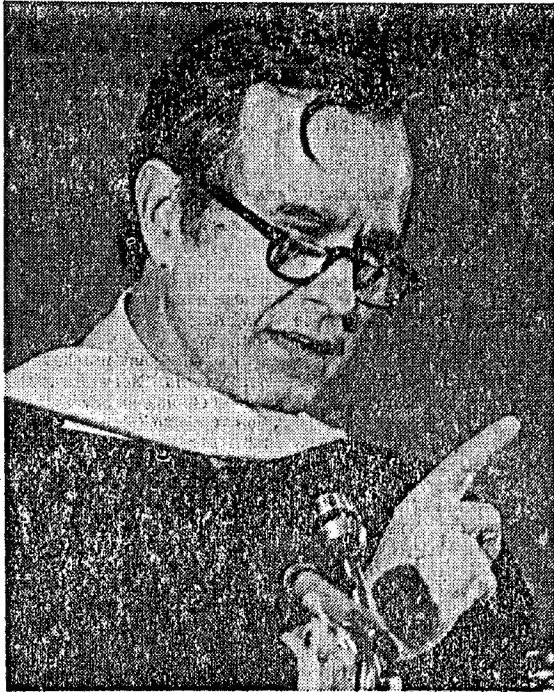
Sincerely,

[redacted signature block]

[redacted enclosure box]

Enclosure

CIA Chief Urges 'Freedom Commitment'



Staff Photo by Don Long

GEORGE H.W. BUSH ADDRESSING R-MC GRADUATES
'Do the People Still Believe...Enough?'

The director of the Central Intelligence Agency has told Randolph-Macon College graduates he is concerned about the credibility of the United States and urged them to make a "commitment to freedom."

George H.W. Bush said in yesterday's commencement speech in Ashland that he is "worried about the credibility of the United States as seen through foreign countries."

"They're trying to decide where we're at," he said.

Bush, who was special envoy to China before President Ford appointed him to head the CIA, said China is "committed" and "credible."

"But they look at us and I really wonder ... I wonder what they think of the United States," Bush said.

China and other countries are asking whether the United States is committed and whether the people still believe enough to sacrifice, Bush said. They wonder about the United States' commitment to "oppose the export of communism," he continued.

He said he was not suggesting

that America export its system but said it has an obligation to countries that want to be free.

"As you leave here, don't give up your interest in learning" Bush told the more than 160-member class. "Expand your interests to include a comparative look at the world."

"We've got problems here but how are we compared to the other 154 countries around the world?"

He said he hoped the graduates would make a "commitment to do more than sit on the sidelines and criticize" this country and would make a "commitment to freedom."

During the commencement exercises in the college's Crenshaw Gymnasium, awards and honors were presented to six students and one honorary degree was conferred.

The H.W. Murray Medal for Scholarship went to Michael Lee Lewallen of Newport News, who delivered the valedictory address.

Other students honored were Timothy Hurst Justice of Newport News, the David Trent Prize in English; Richard Kent Littleton of Virginia Beach, the Hall Center Memorial Award in Chemistry; Lea Purdum

Davies of Culpeper, the Smithey Mathematics Medal; Ingrid Kimberlee Chucker of Clifton Forge, the Noble R. McEwen Award, and Steven Oliver Owens of Ashland, the T. McN. Simpson Jr. Scholarship Award.

Dr. George Daniels Watkins received an honorary doctor of science degree. Dr. Watkins is a Sherman Fairchild professor of solid-state studies in the physics department of Lehigh University and a graduate of Randolph-Macon.

The following Richmond area students received bachelor of arts degrees:

Jo Anne Lewis (Chesterfield), Barbara Dale Shelburne, Brian Clifton Adams, David Bertram Anthony, John Asa Banks III (Ashland), Brian Carter Berger, Barry Bowman Gabay and Bruce Patrick Ganey (Mechanicsville).

Also, Michele Clarice Garrigan, Mark Stephen Giragosian (Glen Allen), Terry Patrick Guidt (Sandston), Stephen Cary Hundley, Sharon Pope James (Mechanicsville), Elizabeth Anne Jonas (Chester), Gladys Romaine Patterson (Ashland), Jay Gentry Plummer, Elvin Gerry Smith (Ruther Glen), and Sharon Wayne Woodie (Mechanicsville).

Bachelor of science degrees were awarded to the following Richmond area students:

Deborah Jean Woolard, Roger Todd Crew, David Keith Crossen, David Dixon Lentz, David Goodwin Saintsling, Eddie Reeves Smith (Hanover), William Morton Sporn and Charles Duval Waddell (Mechanicsville).

Richmond News Leader May 31, 1976